



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 23, 2003

TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **FISCAL MONITORING OF COMMUNITY AND SENIOR SERVICES'
FISCAL YEAR 2002-2003 EMPLOYMENT AND TRAINING PROGRAM
SERVICE PROVIDERS**

At the request of the Department of Community and Senior Services (CSS), we engaged Simpson & Simpson, Certified Public Accountants (Simpson), to conduct fiscal monitoring of the 72 community-based organizations that provided Employment and Training Program Services (ETPS) for CSS for Fiscal Year 2002-03. The Department paid \$107 million to the community-based organizations during the Fiscal Year.

REVIEW SUMMARY

Simpson has completed its fiscal monitoring reviews and has reported the findings for each service provider to the Department and to the respective service providers. During the reviews Simpson noted the following significant findings:

- Fifty-two (72%) of the 72 contractors did not have documentation to support the cost allocation method used to allocate \$2,346,914 to the Employment and Training program.
- Twenty-four (33%) of the 72 contractors did not have documentation to support \$269,453 in expenditures.
- Thirty-one (43%) of the 72 contractors billed \$232,805 in purchases of fixed assets or discretionary expenditures without County approval.

- Eleven (15%) of the 72 contractors billed \$167,861 expenditures not recorded on the contractor's accounting records.
- Eighteen (25%) of the 72 contractors inappropriately billed \$156,563 in fiscal year 2001-02 expenditures to fiscal year 2002-03 program funds.

Attachment I is a summary of Simpson's significant findings by contractor.

In addition, Simpson prepared a management letter (Attachment II) that contains two recommendations addressing internal control weaknesses noted in CSS' administration of ETPS. The first recommendation requires CSS to work with service providers to ensure that they have an adequate understanding of cost principles established by the federal Office of Management and Budgets and are applying the principles in their accounting of grant expenditures. The second recommendation requires CSS to either expand its staff or procure services from outside consultants to assist in resolving outstanding contract compliance matters in a timely manner.

REVIEW OF REPORT

All reports were discussed with CSS and the service providers. CSS' response, Attachment III, indicates that it has contacted all the agencies with reported findings and is currently meeting with them to resolve all open findings and to implement corrective action plans by December 2003. CSS' response to the recommendations contained in the management letter is also included in Attachment III.

Because of the number of service providers, copies of individual reports are not enclosed, but are available for your review. Please call me if you would like to review any of the reports, or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:DC

Attachments

- c: David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services
Robert Ryans, Director
Josie Marquez, Director of Employment and Training Program
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**Department of Community and Senior Services
Employment and Training Program – Provider Fiscal Monitoring
Fiscal Year 2002-03**

No.	Provider	No. of Recommendations	No. Implemented	Significant Findings					
				A	B	C	D	E	F
1	Affiliated Computer Svcs	11	3	\$5,308	\$43,233	\$22,234		\$18,964	
2	African American Unity Ctr.	1	0	\$3,551					
3	African Community Resource Ctr.	10	0	\$41,921	\$1,198	\$15,737			
4	Antelope Valley Workforce Development Consortium	4	0	\$6,855					
5	Armenian Evangelical Social Services	5	4	(1)				\$15,100	
6	Armenian Relief Society	5	1	(1)		(1)			
7	Asian American Drug Abuse Program, Inc.,	2	1			\$5,422			
8	Assert, Inc.,	7	0	\$11,673		\$359	\$32,116		
9	Basic Adult Spanish Edu.	4	1	\$6,604	\$300	\$3,761			
10	Cambodian Association of America	3	0	(1)					
11	Career Partners	2	2	(1)					
12	Career Planning Ctr.	2	1						

Attachment I

Department of Community and Senior Services
Employment and Training Program – Provider Fiscal Monitoring
Fiscal Year 2002-03

No.	Provider	No. of Recommendations	No. Implemented	Significant Findings					
				A	B	C	D	E	F
13	Carson, Lomita, Torrance Consortium	1	0						
14	Catholic Charities	6	3	\$4,481	\$30,624	\$989			
15	Center for Family Self-Sufficiency	6	0		(1)				
16	Chabad College (CBD)	6	5	\$11,682					
17	Chicana Service Action Ctr.	7	0	\$20,048					
18	City of Compton, Career Links	4	1	\$132,844				\$10,793	
19	City of Hawthorne South Bay One-Stop-EDD	8	0		\$3,686			\$10,587	
20	City of Long Beach, CDD	6	3		\$1,676		\$24,675	\$89,746	
21	City of Los Angeles, CDD	3	0			\$4,840			
22	City of Pasadena/ Foothill Consortium	1	0						

Department of Community and Senior Services
Employment and Training Program – Provider Fiscal Monitoring
Fiscal Year 2002-03

No.	Provider	No. of Recommendations	No. Implemented	Significant Findings					
				A	B	C	D	E	F
23	City of Santa Clarita	2	1	\$3,000					
24	Communities in Schools of South Bay, Inc.	5	0			\$11			
25	Community Employment Project	9	0	(1)	\$515	\$1,589		(1)	
26	Community Enhancement Services	1	1						
27	Community Rehabilitation Industries	4	3	(1)	(1)				
28	Compton Community College Development Foundation	6	0			\$2,574	\$15,315		
29	Door of Hope	2	0	\$1,600					
30	Economic and Employment Development Center	3	2	(1)				(1)	
31	El Proyecto del Barrio	4	1	(1)		\$3,780		\$1,529	
32	Goodwill Industries of Southern California	3	3	\$1,425			\$2,277		

Department of Community and Senior Services
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Fiscal Year 2002-03

No.	Provider	No. of Recommendations	No. Implemented	Significant Findings					
				A	B	C	D	E	F
33	Glendale Adventist Medical Ctr.	5	4	\$15,768	\$117				
34	Housing Authority/ City of LA	5	2	(1)	\$153,979	\$18,682			
35	Hub Cities Consortium	1	0				\$23,474		
36	Human Services Consortium of the East San Gabriel Valley Consortium (L.A. WORKS)	4	1	\$253,082	\$461				
37	International Community Employment & Training Ctr.	3	0					(1)	
38	International Institute of LA	7	0	(1)		(1)		(1)	
39	Jewelry Training Center for the Disabled	8	0	\$400	\$791			\$6,357	
40	Jewish Vocational Services (JVS)	7	1	\$221,006	\$4,187	\$4,406			
41	LA Mission College	2	0	\$1,800					
42	LA Urban league/City of Pomona	4	0	\$8,824		\$10,445			

Department of Community and Senior Services
Employment and Training Program – Provider Fiscal Monitoring
Fiscal Year 2002-03

No.	Provider	No. of Recommendations	No. Implemented	Significant Findings					
				A	B	C	D	E	F
43	Long Beach City College (LBCC)	3	1						
44	Los Angeles Community College District	2	1	\$21,565					
45	Los Angeles County Office of Education – Probation (LACOE)	1	0	\$6,417					
46	Los Angeles Unified School District (LAUSD)	6	2	(1)	(1)		\$423		
47	Los Angeles Urban League/ South Central One Stop Career Center	6	0	\$16,825		\$3,204			
48	Los Angeles Urban League/Pasadena	3	0	(1)		(1)			
49	Los Angeles Valley College	9	0	\$13,227	\$12,648		\$39,617		
50	Maravilla Foundation	7	3	\$3,750	\$21	\$119		\$76	
51	MCS Rehab Ctr.	6	3	\$8,167		\$1,624	\$34	\$1,780	
52	Mexican American Opportunity	3	1					\$142	

Department of Community and Senior Services
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No.	Provider	No. of Recommendations	No. Implemented	Significant Findings					
				A	B	C	D	E	F
53	New Directions, Inc.	4	0	\$ 23,000			\$ 3,166		
54	Office of Samoan Affairs	8	5	(1)	\$1,066	\$11,888		\$333	
55	Pacific Asian Consortium in Employment	2	0	(1)					
56	Playa Vista Jobs Opportunities and Business Services (PVJOBS)	4	2			\$3,310			
57	Pomona Valley Youth Employment	1	0	(1)					
58	Project Impact	7	0	\$3,577		\$312		\$ 183	
59	SASSFA	1	0		\$8,400				
60	SER South Bay/ Jobs For Progress	10	2	\$1,101,336	\$1,918	\$5,854	\$5,159		
61	Soledad Enrichment Action, Inc.	8	0	\$1,165	\$494	\$1,128			
62	South East Los Angeles WIB	3	0						
63	Special Services For Groups	6	2	\$14,569	\$475	\$1,138			

Department of Community and Senior Services
Employment and Training Program – Provider Fiscal Monitoring
Fiscal Year 2002-03

No.	Provider	No. of Recommendations	No. Implemented	Significant Findings					
				A	B	C	D	E	F
64	Streetlights Production Assistant Program	2	0						
65	Unified Vietnamese Community Council (UVCC)	5	2	(1)		(1)			
66	United Cambodian Community, Inc.	7	3	(1)	\$1,607	\$9		\$68	
67	Van Ness Recovery House	4	1	\$30,706		\$137			
68	Verdugo Consortium	2	0	\$572					
69	Weingart Center	1	0						
70	West Los Angeles College	7	0	\$64,001		\$83,105	\$21,605		
71	William S. Hart Union High School District	3	1	\$800				\$905	
72	Youth Opportunities Unlimited	10	0	\$285,364	\$2,057	\$26,146			\$80,034
Total		330	73	\$2,346,914	\$269,453	\$232,805	\$167,861	\$156,563	\$80,034

Department of Community and Senior Services
Employment and Training Program – Provider Fiscal Monitoring
Fiscal Year 2002-03

- A. Does not have documentation to support the cost allocation method used to allocate expenses to the Employment and Training Program.
- B. Expenditures are not supported with documentation
- C. Purchases of fixed assets or discretionary expenses without County Approval
- D. Expenditures billed are not recorded on contractor's accounting records.
- E. Billed FY 2001-02 expenditures in FY 2002-03
- F. Revenues in excess of expenditures reported for fiscal year 2001-02

(1) Simpson did not report a dollar value



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Mr. J. Tyler McCauley
Auditor-Controller
525 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012-2766

In planning and performing the 2002-2003 CSS Employment and Training Programs (ETP) Service Provider Fiscal Monitoring, we noted certain matters involving CSS' internal control structure relating to accounting and contract administration that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report ETP program grant expenditures.

Our observations and recommendations are presented in Exhibit I.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the ETP program grant expenditures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The scope of our engagement was limited to monitoring ETP service providers and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described in Exhibit I is a material weakness.

This report is intended solely for the use of the County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

Los Angeles, California
July 17, 2003



EXHIBIT I

Condition # 1 – Service Providers Not Having Adequate Understanding of Cost Principles Established by the Office of Management and Budget (OMB)

During our monitoring visits, we noticed that many service providers do not have an adequate understanding of the cost principles established by the Office of Management and Budget that pertain to the administration and accounting of federal awards. We recommend that CSS work closely with the service providers, and provide technical assistance if necessary, to ascertain that they have an adequate understanding of those cost principles and are applying those cost principles in their accounting of grant expenditures.

Condition # 2 – Shortage of Staff Within CSS to Handle Contract Compliance

We noticed a shortage of staff within CSS' contract compliance unit to handle matters relating to contract compliance in a timely manner. For example, we noticed the unit is now still trying to address certain contract compliance matters relating to the 2001-2002 fiscal year. There are also many open findings from our monitoring of the 2002-2003 fiscal year contracts that will require follow-up by CSS staff. We recommend that CSS either expand its staff or procure services from outside consultants to assist in its contract monitoring efforts.



ROBERT RYANS
Director

COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY

"To Enrich Lives Through Effective And Caring Service"

BOARD OF SUPERVISORS

GLORIA MOLINA
YVONNE BRATHWAITE BURKE
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MICHAEL D. ANTONOVICH

October 15, 2003

Mr. J. Tyler McCauley
Auditor-Controller
525 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012-2766

Dear Mr. McCauley:

Enclosed is the response to the conditions relating to the internal control structure of the Department of Community and Senior Services (CSS) noted by the independent auditing firm of Simpson & Simpson when it conducted the fiscal monitoring of the Employment and Training Programs. A response from CSS addressing the Review Summary of the fiscal monitoring completed by Simpson & Simpson is included.

If you have any questions or need additional information, please contact Carol Domingo, of my staff, at (213) 351-5119.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Ryans", with a long horizontal line extending to the right.

ROBERT RYANS
Director

Attachment: 1

- c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**2002-03 DEPARTMENT OF COMMUNITY AND SENIOR SERVICES
EMPLOYMENT AND TRAINING PROGRAMS
SERVICE PROVIDER FISCAL MONITORING
RESPONSE TO SIMPSON & SIMPSON MANAGEMENT LETTER**

CONDITION 1

Service providers not having adequate understanding of cost principles established by the Office of Management and Budget (OMB).

CSS RESPONSE

The Department will assist the contractors in understanding and adhering to cost principles, specifically those related to shared costs, which are necessary to administer and account for federal grant awards. In order to enhance our ability to effectively communicate these policies, staff will receive comprehensive training on cost principles as governed by OMB regulations. Currently, all contracts contain provisions for fiscal accountability that reference the following OMB Circulars: A-21 for educational institutions; A-87 for State, local and Indian tribe governments; A-122 for non-profit organizations; A-102 for grants and cooperative contracts with State and local government agencies; A-133 for audits; and A-110 for uniform administrative requirements for grants and contracts with institutions of higher education, hospitals and other non-profit organizations. These contracts also contain provisions that require a cost allocation plan to be submitted and utilized in the performance of contract activities. These provisions will be re-enforced by the Department as part of our contract compliance monitoring efforts and this process will be initiated by providing technical assistance and training to non-compliant contractors. Additionally, since each Program Unit communicates fiscal policies and procedures to contractors during the contractor's orientation conducted each program year, we will use this opportunity to emphasize the importance of adhering to these cost principle provisions.

Target Implementation: December 2003

CONDITION 2

Shortage of human resources within CSS to handle contract compliance.

CSS RESPONSE

The Department has taken several measures to compensate for the decrease in the number of staff as it relates to the monitoring of contractor compliance. We have completed and finalized, with the approval of the Auditor-Controller's Audit Division, training manuals including the **Contract Monitoring Manual** and the **Contractor's**

J. Tyler McCauley
Simpson & Simpson Management Letter

Manual, which will provide standardized instruction to monitoring staff and contractors, respectively. We will release these manuals and will instruct monitoring staff on the use of the **Contract Monitoring Manual**. Additionally, the Department is procuring outside resources (i.e., vendors) to provide both contract compliance and fiscal monitoring services for Employment and Training programs. A work order for these services is being developed and will be submitted to the Auditor-Controller upon completion. Our staff will, however, continue to perform program compliance monitoring. The Department has also established the Quality Assurance Fiscal Accountability Unit (QAFA) to provide quality control, to standardize procedures, and to monitor the operations of all CSS programs. Generally speaking, QAFA's primary responsibility is to liaison between the fiscal and program staff and to bridge any gaps between the Department, our contractors and the funding sources.

Target Implementation Date: December 2003

REVIEW SUMMARY

Simpson & Simpson has completed its fiscal review and has reported the findings for each service provider to CSS and to the respective service providers.

CSS RESPONSE

CSS has contacted all the agencies with reported findings and is currently meeting with each agency individually to assist it in resolving the open findings. CSS anticipates that all open findings will be resolved and necessary corrective action plans will be implemented with each agency by December 1, 2003.